NHCNews Briefs

Industry Update

Payless' '83 earnings rise 50%

KANSAS CITY, Mo.—Payless Cashways earnings in 1983 rose 50% to $34.6 million on sales of $864.9 million, up 45%.

The 121-unit Payless saw its income in the fourth quarter, ended Nov. 26, jump 25% to $10.2 million with sales during that period increasing to $251.2 million, a 40% gain. Comparable store sales for the fourth quarter and the year were up 16% and 18%, respectively.

Company president David Stanley attributed the sales and earnings gains realized by the chain to "improved marketing and merchandising," two areas Payless has placed greater emphasis on in 1983.

Last year, Payless' earnings per share were $1.29, compared with 96¢ in 1982, a 34% increase, and its weighted average of common stock outstanding for 1983 was 26,879,000 shares.

Central opens St. Louis whse

GRANITE CITY, Ill.—Central Hardware recently opened its first warehouse-type store in the St. Louis market here in a Central facility that was destroyed by a tornado more than a year ago.

Central had advertised the unit as having "an exciting new Central look with the largest indoor lumber department in the U.S.A.," but officials at the company refused to comment on the new store any further.

Industry sources noted, however, that about 20% of the 60,000- to 70,000-sq.-ft. store utilizes 8-ft. white warehouse racking for displays.

About 25% of the unit features lumber and building materials, they said, but the store also makes a strong showing in such areas as electricals and ceiling fans. The unit also shows a beefed-up display of furniture while de-emphasizing kitchen display space somewhat, sources said.

Home-Pro sees 3rd qtr. net loss

SAN ANTONIO—Home Centers of America reported a net loss of $1.95 million, or 44¢ per share, on sales of $10.6 million for the 13 weeks ended Nov. 27.

According to Frank Denny, chairman, profits were negatively impacted by preopening expenses for three new Home-Pro stores in the third quarter. Home Centers was formed in March 1983 and currently operates five warehouse-style stores in Texas.

Despite the quarter's losses, Denny said the Home-Pro Warehouses have achieved strong consumer acceptance, with sales averaging over $220,000 weekly per store and customer counts averaging 10,000 per week per store.

"Now that dominant market shares have been achieved in the San Antonio and Corpus Christi markets, we expect operating expenses as a percentage of sales to decrease," said Denny. However, he said the fourth quarter "will be further negatively affected by new store opening expenses for two stores in Houston and one in Lubbock."

Menard opens two new stores

MILWAUKEE—Menard Cashways, the 21-unit retailer from Eau Claire, Wis., opened two 50,000-sq.-ft. stores here last month, bringing its number of units in the market to three.

Company president John Menard said the new outlets, located west and south of the city, give the chain full store penetration in the metropolitan area.

Milwaukee became a new market for Menard early last year, when the chain opened a store north of the city.

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HomeOwner's to expand in Mich.

By John Caulfield
NHCN senior editor

DETROIT—HomeOwner's Warehouse, which has plans to expand by 10 units this year, is about to make its first penetration into a market outside Florida.

NHCN has learned that Detroit has been targeted for HOW's growth by its parent company, Service Merchandise Corp., which is exploring both purchasing land for new construction and leasing second use buildings for "two to four" store openings here by this fall.

Service Merchandise chairman Raymond Zimmerman said there was "better than a 50-50 chance" that the deal for the Detroit sites would be consummated by the end of January. HOW president Pat Sher refused to comment except to note that no Detroit deals had yet been signed.

In addition, Zimmerman said that "the papers have been signed" to acquire the land to build a 70,000-sq.-ft. HOW unit in Jacksonville, Fla., next to which will be a Service Merchandise catalog showroom.

He was noncommital on any future markets for expansion, saying only that "we're looking in a number of areas around the country, not just in the Sunbelt." He added that, while his company has been "talking" to officials from Montgomery Ward about acquiring some of that chain's stores, it was "unlikely" that any Ward unit—some of which operate in the same strip malls as Service Merchandise catalog showrooms—would be acquired for expanding the HOW chain.

HOW, which was purchased last June by the Nashville-based Service Merchandise for $14 million, currently has two units operating in Coconut Creek and Plantation, Fla., the

(Continued on page 61)

Knox leaning toward whse ideas

By David Morgan
NHCN field editor

ST. PAUL—Knox Lumber has settled on a new interior design for its Twin Cities stores that calls for a wider use of warehouse racking and the addition of building materials to the showroom floor.

The design most likely will be unveiled this spring in Newport, Minn., where the company is building a 45,000-sq.-ft. retail store—its sixth in the area. Meanwhile, Knox also plans to combine sales floors with adjacent warehouse space at four existing units.

Company officials thus far have not fully commented on the scope of the proposed changes. However, president Larry Platte said the chain has "definite plans for a new look" for its metropolitan area stores. It was not known how the plans might effect Knox's remaining units in Duluth, Minn.; Billings, Mont.; Sioux Falls, S.D., and Fargo, N.D.

Platte said the Newport opening will give Knox its first new store in five years. The last one opened in 1979, a year before the chain was acquired by Southwest Forest Industries.

Though the takeover had been expected to fuel a major Knox expansion program, its arrival coincided with recession in the forest products industry and the anticipated growth never materialized.

The president had no comment on the chain's latest expansion plans, which call for a multistore entry into a metropolitan area outside the Twin Cities. Some 2.4 million new shares, filed jointly by Knox and Southwest with the Securities and Exchange Commission last November, had not begun trading as of Jan. 10. The offering is expected to raise $36 million, $7.5 million of which would go to Knox for expansion and remodeling.

Knox stores in the Twin Cities currently range in size between 20,000 and 30,000 sq. ft., each being accompanied by a lumber and building materials warehouse.

According to Platte, the new design will not greatly affect the actual size of Knox facilities. Though the Newport store's showroom will be 15,000

(Continued on page 61)

Realtors predict home turnover to hit 3M units

WASHINGTON—Existing single-family home sales in 1983 rose by 36% over the previous year to 2.61 million according to the National Association of Realtors.

This improvement will continue this year when existing home sales are expected to rise to three million, the group predicts.

In November the realtors' affordability index reached its highest level in nearly four years, 84.9. The November increase marked the fifth consecutive month of improving affordability, 0.2 above the October level.

The housing affordability index measures median family income as a percentage of income needed to qualify for the purchase of a median-priced existing home.

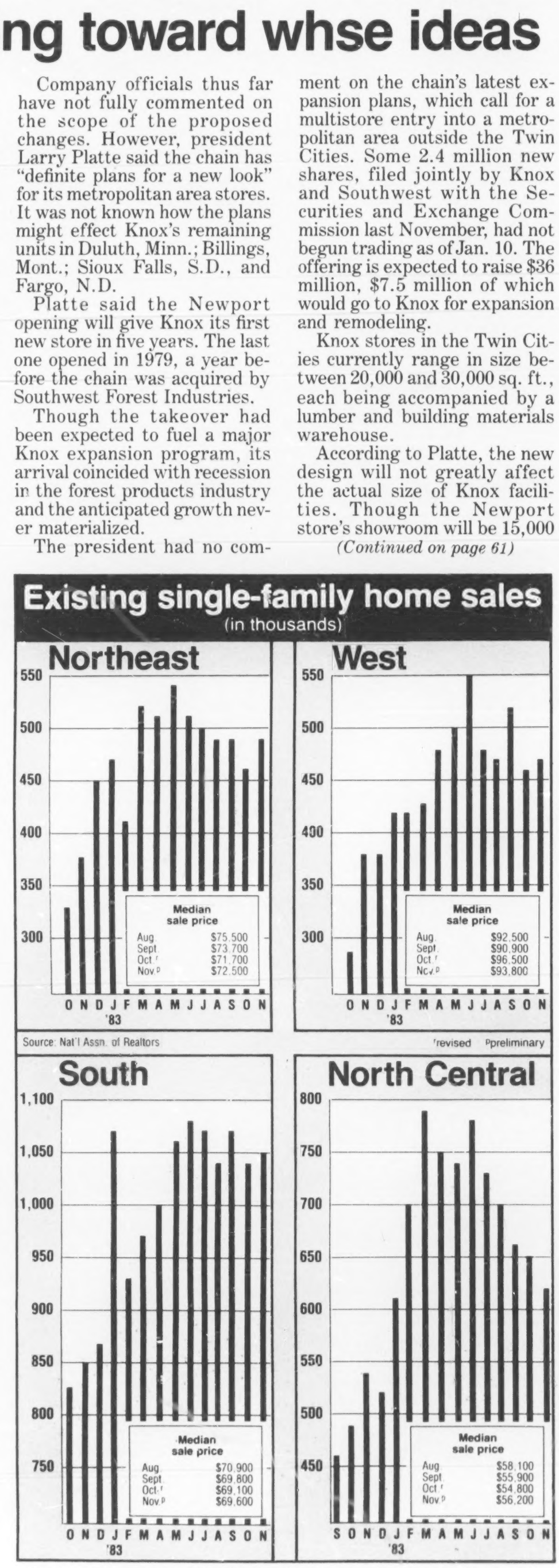
The NAR's affordability index last reached 100 in December 1978, which means that since then median family income in the United States has not been enough to afford a median-priced existing home.

In November median family income was $24,594, or 84.9% of the amount needed to purchase a $70,300, median priced, existing home, according to the realtors.

The housing affordability index is expected to average 87 in this year, a rise of four points over the 1983 figures. However, NAR predicts that affordability will worsen in 1985 as interest rates rise and the growth of the economy slows significantly.

In the meantime, home resale activity has been boosted by home buyers turning to adjustable-rate mortgages rather than fixed-rate mortgages, which carry higher interest rates. In November more than 55% of the mortgages closed by all major lenders for resale homes were ARMs, which was double the percentage of four months ago.

Fixed-rate loans stood at 13.1% interest in November compared with 12.16% for adjustable rate mortgages.



Existing homes sales in November increased by 0.8% over the previous month to a seasonally adjusted rate of 2.63 million units. Three regions experienced an increase in resale activity but the North Central region declined for the fifth consecutive month. The median sales price for a single family home rose by $500 over October with the greatest increase occurring in the North Central area which experienced a $1,400 rise.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Forest City	10/31-3rd qtr.	$ 83,879	$94,139	–11	$3,595	$3,770	–5
Lowe's	12/23-4 wks.	116,300	79,200	47	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 1/5	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		44⅝	47⅜	34½	26
Edison Bros. Stores (NYSE) [Handyman, Homer's]		42⅝	46¾	25¾	12
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		10¼	19½	8½	—
Forest City (AMEX)	A	18½	20⅛	9	53
	B	18¼	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		46⅜	50⅜	38¼	14
Lowe's (NYSE)		23¼	32¾	17¼	18
Michigan General (AMEX) [Diamond Lumber]		9¼	14	2⅜	—
Pay 'N Pak (NYSE)		19¾	24	15¼	17
Payless Cashways (NYSE) [Furrow]		24⅝	34½	19	20
Scotty's (NYSE)		15⅝	21⅛	14	15
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		15⅝	16½	11¼	—
Standard Brands Paint (NYSE)		20⅝	28¾	17⅞	12

Nasdaq—over-the-counter stocks

		As of 1/5	52-week High	52-week Low	P/E Ratio
Color Tile		17⅛	27⅝	13⅝	—
Hechinger	A	19¼	24¼	15	—
	B	19¾	28¼	14½	—
The Home Depot		26	31¾	11⅞	—
Pay 'n Save		26⅜	29¼	15⅜	—

Over-the-counter stocks

	As of 1/5 Bid	As of 1/5 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	22½	25¼	25	12¼
Hines Lumber	35¾	38	41½	15½
Home Centers of America	8	8¼	15½	5
Home Centers of America [units]	24	26	51½	13¼
National Lumber	10¼	10½	13¼	9½
Scotts Seaboard [Scott's]	2¾	3¼	5	⅞
Wolohan Lumber	6¼	6⅜	10⅛	5⅛

Acquisition of Schuck's bolsters Pay 'n Save divisions' auto depts.

SEATTLE—The recent acquisition by Pay 'n Save of Schuck's Auto Supply, a 58-store automotives retailer in Washington, Oregon and Idaho, should enable Pay 'n Save divisions, including Ernst Home Centers, to utilize Schuck's purchasing power and merchandising skills to improve their auto departments, chairman M. Lamont Bean said in a letter to shareholders.

The acquisition was completed last month for $70 million of Pay 'n Save common stock in a pooling of interests transaction. The purchase price included the land and buildings of 30 of the 58 outlets, Bean said. The other 28 units are leased.

Bean said he expects $1.3 million in annual savings in non-continuing Schuck's expenses as well as other savings resulting from the combining of the two companies.

Schuck's chairman Samuel N. Stroum said the merger would enable his chain "to grow at a much faster rate than we could alone." President Stuart M. Sloan and the Schuck's management team will continue to head the automotives chain.

Schuck's had pretax earnings of $4.6 million, up from $3.7 million in the previous year, on sales of $45.7 million, up from $37.5 million, in the first 40 weeks of the current fiscal year ending this month.

Hechinger net up 21%; sales rise 24% in 3rd qtr.

LANDOVER, Md.—Comparable store sales increased 12.4% to help Hechinger report a 21.3% gain on net earnings and a 24.1% hike in sales in the company's third quarter ended Oct. 29, officials said.

The 39-store chain's quarterly earnings rose from $3 million a year ago to $3.6 million in the most recent period while sales increased from $62.9 million in last year's third quarter to $78 million this year, they noted. At the end of the third quarter last year, Hechinger was operating 34 stores.

Ken Gassman, security analyst with Wheat First Securities, Richmond, Va., noted in a report that Hechinger sales outpaced net income gains primarily because of a 1.1% decrease in gross margins from a year ago to 30.9%.

Higher occupancy costs at the chain's new North Carolina units along with efforts to keep prices competitive were factors in reducing gross margins, according to the Wheat First Securities report.

December sales soar 47% as Lowe's hits $1.3 bil. in '83 volume

NORTH WILKESBORO, N.C.—Sales at Lowe's in the four weeks ended Dec. 23, 1983, were up 47% to $116.3 million compared to the same period a year ago, officials at the 238-store chain reported.

Retail volume rose 42% in the month to $61.8 million, 53% of the period's total. Retail sales accounted for 55% of the total December sales in 1982.

Contractor sales increased 53% in December to $54.5 million, officials said. At the 234 Lowe's stores opened for more than a year as of Dec. 23, sales were up 45% to $115 million.

The December figures pushed volume at the company for the first 11 months of fiscal 1983 to $1.3 billion, 40% higher than in the same period of fiscal 1982.

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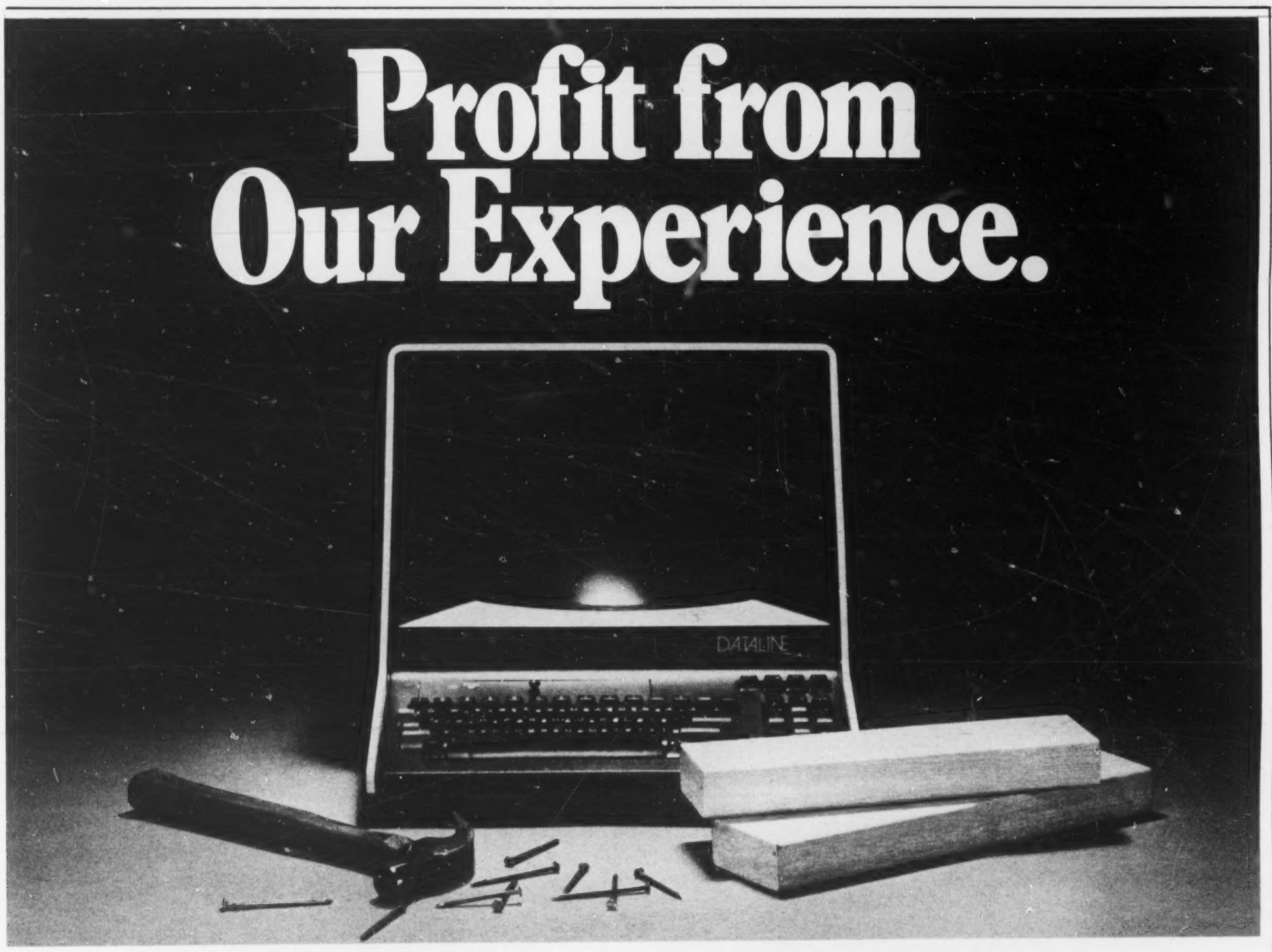

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LUMBER REPORT

Dealers benefit from trade effort to promote wood use

(Continued from page 3)

taled about $10 million, have been cut in half, according to Howe. New consumer traffic, therefore, is critical.

"The reason we did it [held the fair] was because we wanted to make an impact on our community that we are the people to see for DIY projects," said Howe.

"We want to double attendance each time until we can get 50,000 people."

Attendance at last fall's show was roughly 15,000. Howe sees the show as potentially a way for an independent to gain some ground against competition, which, for Carver, includes several conventional yards, Carter Lumber as well as Payless Cashways, Wickes and Handy Andy.

"Handy Andy does such a fine job in its advertising it takes something short of an earthquake to make an impression," Howe said.

The Kentucky lumbermen were also planning a DIY consumer show like Carver's for this spring. Those plans have been put on hold, however, because it proved to be more difficult for a trade association than a dealer to sponsor such an event, according to Thompson of the Kentucky association.

The WPPC will meet in March to develop a long-range marketing plan for promoting the use of wood. In the meantime, several other efforts are under way including a joint venture by the American Plywood Assn. and *Better Homes and Gardens* magazine. A house near Seattle was remodeled using wood extensively and a photo report of the venture is expected to appear in the magazine this fall, according to the APA's Anderson.

"The whole idea is to take an affordable house in an affordable area and make it more liveable so that it's not overpriced for the area." Anderson said.

A similar project is expected to be led by the Southern Forest Products Assn. The National Forest Product Assn. is concentrating on expanded use of wood in commercial construction. And the Western Wood Products Assn. is leading an effort to establish seminars with remodeling contractors. This undertaking also involves the National Lumber and Building Material Dealers Assn.

FUTURES

Two weeks ended Jan. 5, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '84	167.90	162.30	167.10	164.40	1,276	234.00	162.30
March	184.10	176.40	181.80	182.10	3,319	240.50	176.40
May	194.30	187.60	192.80	193.70	1,507	245.50	187.60
July	200.50	195.00	199.70	202.10	728	252.50	195.00
Sept.	202.70	196.20	202.00	201.60	473	236.00	195.50
Nov.	205.00	198.00	204.50	202.70	205	228.80	196.00
Jan. '85	211.10	204.00	211.00	212.00	49	221.30	204.00

Total Contract Vol. (Through 1/5): 14,871 — Previous Two Weeks: 26,089
Total Open Interest (As of 1/5): 7,557 — Previous Week: 7,465
Cash Price: $162.68 — Previous Week: $164.64 — Year Ago: $180.32

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '84	195.80	189.00	195.80	193.60	52	223.00	179.70
March	199.40	192.00	199.40	197.80	401	225.00	183.00
May	202.00	195.50	202.00	201.00	89	208.50	187.50
July	204.00	198.50	204.00	205.10	41	210.00	190.50
Sept.	206.00	203.10	206.00	205.10	2	212.50	190.50
Nov.	Not	Trading					

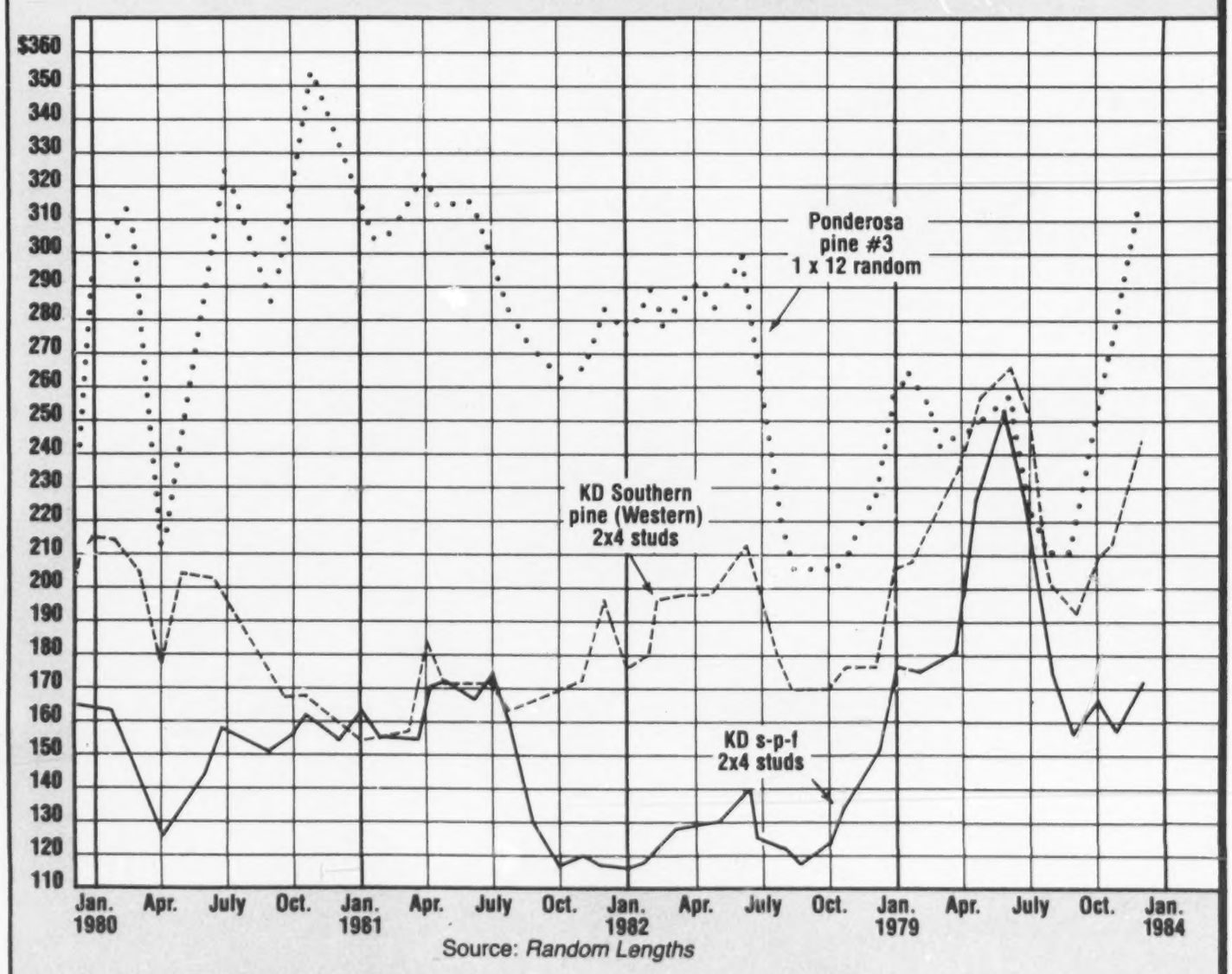
Total Contract Vol. (Through 1/5): 519 — Previous Two Weeks: 815
Total Open Interest (As of 1/5): 585 — Previous Week: 597
Cash Price: $196.98 — Previous Week: $198.94 — Year Ago: $196.98

COMMODITY RESEARCH BUREAU INDEX:	This Week 273.0	Previous Week 277.6	Year Ago 236.8

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Jan. 5.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Ponderosa pine No. 3 1x12 prices rose sharply in December to $313 per thousand board feet from $279 in November, which was up from $248 in October.

Ponderosa prices have risen relentlessly since last summer, because supply has been inadequate to meet demand, and are now about $100 over September's prices.

Western s-p-f stud and Southern pine (westside) stud prices strengthened in December based on increased demand.

Southern pine studs sold for $246 per thousand board feet in December, which brings prices just about $20 off the highs of last spring. Western s-p-f studs moved up more gradually to $172 per thousand board feet in December.

ADVERTISING & MARKETING

New franchise seeks remodeler/supplier bond

PITTSBURGH—Barry Lhormer, the man who founded Busy Beaver Building Centers in 1962 and who departed the company in 1980, is launching a new building supplies enterprise.

With his new firm, a franchising outfit called Great Improvements, he hopes to forge mutually beneficial business relationships among the nation's remodelers and home centers.

Over the past several months, Great Improvements has begun selling franchises to independent home remodelers in southeastern Florida out of an office in Deerfield Beach. Franchisees benefit from the company's expertise in management, as well as by its bonding program, job financing capability, building supplies purchasing discounts and co-op advertising program, Lhormer said.

Home centers will benefit in two ways according to Lhormer. First, home centers will get more business by becoming sources of supply for the Great Improvements remodelers. Lhormer plans to arrange deals with home centers in his active markets, so his independent franchisees can purchase supplies individually from such stores at group rates.

Second, home centers that wish to boost their remodeling business can become franchisees themselves.

Barry Lhomer, who founded Busy Beaver, is launching a new franchise business aimed at helping remodelers and home center operators.

By 1986, Great Improvements plans to have 225 franchises in Florida, along with 1,000 others in from two to four markets on the East Coast.

"Late this summer we should be going into either Washington, D.C., or Philadelphia," said Lhormer. "Both of these markets are closer to our Pittsburgh base, and both are strong economically."

Not all remodelers and home centers, said Lhormer, represent good prospects for his new company. "Our typical remodeler prospect does from $200,000 to $500,000 annually in jobs," said Lhormer. "If a remodeler is doing $1 million annually, he usually feels he already knows how to merchandise his business."

Lhormer described his typical home center prospect as "the major independent in a town of from 40,000 to 50,000, in a trading market of up to 500,000 people and doing between one and three million dollars annually, about half of which is consumer and half small builder."

By mid-December the sales staff in the Deerfield Beach office had made 250 presentations.

Among dealers Lhormer has approached is Scotty's but "they told me to come back when I had 50 or 60 dealers," he said.

In each market, the first 10 franchisees pay $5,900, the second 10 pay $6,900 and the remainder pay $7,900. Additionally, franchisees will pay $670 a month for the first six months and $1,000 monthly thereafter.

About a third of the monthly fees go into a co-op advertising fund, said Lhormer. During the first six months, Great Improvements will supplement the advertising money with $50,000 worth of its own money "to seed a new market," according to Lhormer.

All Great Improvements display advertising will carry an 800 number, and names of franchisees will be given out by sequence and specialty, said Lhormer. Although franchisees in a given market will compete with each other, their number will be limited to one for every 8,000 owner-occupied homes.

Lhormer compares this figure to that used by Century 21, a real estate sales franchising company.

Lhormer's venture is similar to that launched several years ago by Mr. Build, a company that is still active on the West Coast (*NHCN*, Nov. 9, 1981).

Lhormer first entered the building materials field in 1962 when he converted Clairton Commercial, a family-owned lumberyard in Clariton, Pa., into the first Busy Beaver store. A year later he launched Busy Beaver Remodelers as part of the Busy Beaver company.

In 1972, his partner, who had run a wholesale yard to support the Busy Beaver store when it opened 10 years earlier, wanted to leave the business. "We couldn't buy him out and have any money left to continue," said Lhormer.

While searching for additional capital, Lhormer discovered a potential buyer in Cyclops Steel, which purchased the Busy Beaver from Lhormer.

National survey tracks rent costs

Metropolitan area rents for an 850-sq.-ft. apartment

Rank	Metropolitan Area	Median Monthly Rent
1	Boston	$475
2	New York	446
3	San Francisco	435
4	Orange County, Calif.	419
5	Los Angeles	403
6	Pittsburgh	403
7	Denver	397
8	Washington, D.C.	397
9	Houston	393
10	Dallas	392
11	Milwaukee	391
12	Chicago	385
13	Hartford, Conn.	373
14	Minneapolis	366
15	Miami	365
16	San Diego	359
17	Wichita, Kan.	354
18	Seattle	354
19	Austin, Tex.	351
20	Detroit	347
21	Phoenix	346
22	Philadelphia	343
23	Baltimore	334
24	Cincinnati	329
25	Sacramento, Calif.	323
26	St. Louis	317
27	Oklahoma City	314
28	Newark, N.J.	312
29	Cleveland	312
30	Kansas City, Mo.	305
31	Tampa, Fla.	292
32	Indianapolis	281

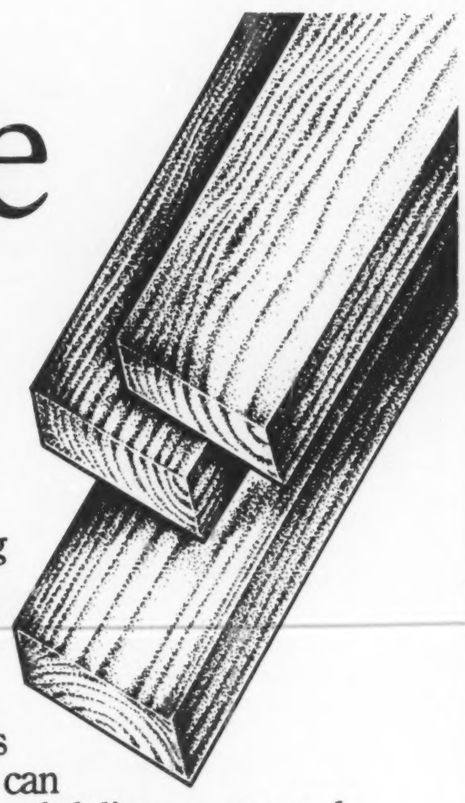
Source: Income/Expense Analysis—Apartments, Institute of Real Estate Management, Chicago; *NHCN* chart

CHICAGO—Boston and New York have the highest metropolitan rents in the nation according to a report just released by the Institute of Real Estate Management.

The survey, based on median monthly metropolitan area rents for a typical one bedroom apartment of 850 sq. ft., ranks Boston first with a median rent of $475 a month. New York City follows closely with a median rent of $446 a month. The study focuses on 40 metro markets in the United States and ranks Greenville, S.C., at No. 40 with a $247 a month rent.

The 1983 edition of this annual survey is called Income/Expense Analysis Apartments and is available at a cost of $61.95 from the Institute of Real Estate Management, 430 N. Michigan Ave., Chicago, Ill. 60611.

Pressure treated lumber.



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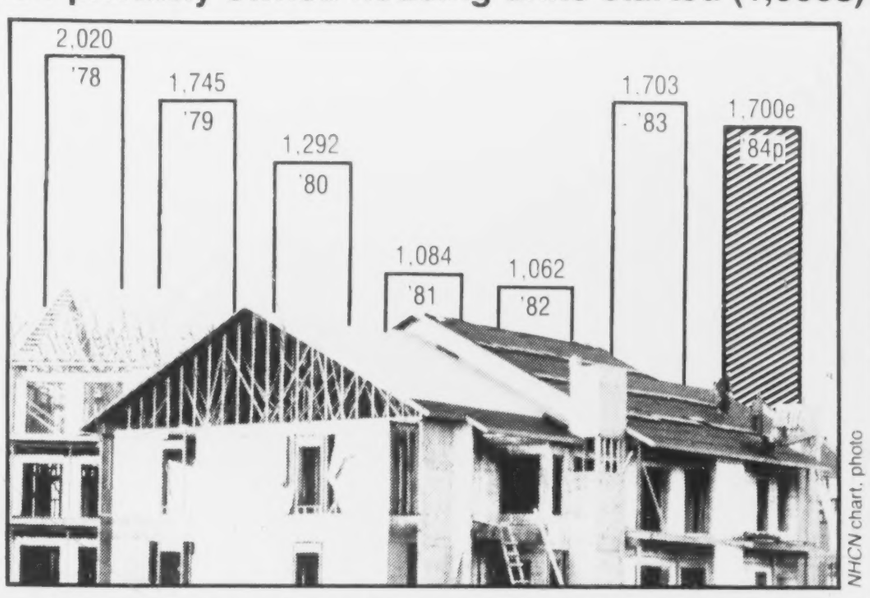
Winter Hardware Show Issue

Floor coverings photo feature—pp. 25-32

National Home Center News®

Vol. 10, No. 4 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. February 13, 1984

New privately owned housing units started (1,000s)



NHCN chart, photo

Home construction tops $142B in '83

Spending for new home construction topped $142 billion in 1983 as home building surged 60% from a record low in 1982, to 1.7 million starts. Forecasters at last month's Home Builder Show predict 1984 will match 1983's production, but warn of rising interest rates later this year. *Story, page 2.*

Source: U.S. Dept. of Commerce; estimate for 1984: National Assn. of Home Builders

Grossman's tests new mix at 6 California warehouses

Parent Evans relocating HQ to Miami

BRAINTREE, Mass.—Grossman's will take a major step toward nonhome center retailing with six warehouse stores it plans to open in California this year, *NHCN* has learned.

The 80,000 to 90,000-sq.-ft. units will devote one quarter of their floor space to merchandise that could include most anything from food and automobile tires to vacuum cleaners, according to a source who characterized the venture as a "Price Club with lumber."

Simultaneously, in an unrelated development, it was learned that Grossman's parent company, Evans Products, is planning to move its headquarters from Portland, where it has been since the 1960's to Miami.

"There are plans in the making to move Evans headquarters to Miami," said Evans corporate communications vp Gerald Parsons. "The exact timing and number of people involved have not been determined."

Parson's comments were carried by the *Oregonian*, a Portland daily newspaper, which added conformation from an Evan's director R. W. DeWeese who said, "All this has been pending for some time."

In a phone interview with *NHCN*, Parsons stressed, "Although there were discussions, there's nothing definite."

However, the *Oregonian* quoted an unnamed top Evans executive as saying that mostly high-level employees will be asked to transfer to Miami, with roughly one-third of the staff remaining in Portland for the time being and the rest facing layoffs.

The move to Miami was apparently prompted to consolidate the Evans operation with the rest of the organization controlled by Victor Posner, the Florida financier who gained control over Evans during the past few years, being named chairman last spring and chief executive officer in December, replacing Monford Orloff who retains the titles of president and coo.

Orloff was in Miami and could not be reached for comment. Calls to Posner's office were not returned.

Evans has not yet filed a preliminary registration statement for the spin-off of its retail group, a strategy for meeting its large corporate debt that was announced last June. Parsons said there are no new develop-

(Continued on page 78)

Wall Street and other brokers altering lumber pricing patterns

By Kenneth Schept
NHCN executive editor

NATIONAL REPORT—Last month Payless Cashways added an unusual lumber supplier when it purchased several carloads of narrow dimension spruce not from a mill or wholesaler, but from Wall Street.

While mills were quoting $158 to $160 per thousand board feet for the product, Bear, Stearns & Co., the brokerage, had cars available at $156, according to Phil Rogers, Payless senior merchandise manager for commodities.

Bear Stearns is among several organizations from fields unrelated to lumber that have been drawn to the business in the past few years because of profit potential in the sustained premium futures have held to cash prices.

The brokerage actually takes physical delivery of lumber, often simultaneously selling an equivalent amount in futures. Each hedge locks in a profit that, as in the Payless example, allows Bear Stearns to sometimes offer lumber at below mill prices. In addition, the company sells without a large sales force, keeping overhead to a minimum.

"I think Bear Stearns is a factor in the industry," Rogers said. "It can take a lot of the risk out of it for us and it's one of the few suppliers with rolling cars."

While not everyone agrees on the extent to which Bear Stearns and similar operations are factors in the industry, everyone is talking about these nonlumber entities that appeared only a few years ago and today, some speculate, control perhaps more cars than any of the major traditional suppliers.

It is not yet clear, however, whether Bear Stearns and other companies are merely short-term speculators or participants in a new, permanent aspect of the lumber distribution network. In the meantime their abrupt entrance into the market has provoked criticism ranging from derogation of the quality of wood they supply to the assertion that, with so much wood under their control,

(Continued on page 12)

NEWSBREAKS

CHASE-PITKIN TO EXPAND. Ten-store Chase-Pitkin is about to open its first units outside of Rochester, N.Y., with a Syracuse store this spring. That outlet, like two more planned for Syracuse, will have a warehouse format in the 45,000-sq.-ft. retail space of a typical Chase-Pitkin, although stock keeping units will be halved to 20,000.

Ole's, Neiman-Reed merger fails; negotiations cease

By Brad Altman
West Coast editor

LOS ANGELES—Ole's Home Centers and Neiman-Reed's Lumber City have mutually agreed to terminate negotiations on Ole's plan to acquire Neiman-Reed's 12 home centers and a wholesale lumber operation.

Neither Robert Neiman, chairman of Neiman-Reed, nor Harvey Knell, Ole's president, would say exactly what led to the demise of negotiations. However, Knell reported that he sent a letter to Ole's employees "that said we chose not to exercise our option" to purchase Neiman-Reed.

Neiman, co-founder of the chain with Robert Reed who died in late 1981, said that he is "not contemplating" selling Neiman-Reed to another party "at the present time," but would not rule out a future sale.

Neiman-Reed is 51% owned by UBM Group Ltd., Bristol, England, which has an option to acquire the balance of Neiman-Reed in 1986, became majority owner in July 1981 in a $8.4 million deal.

Industry observers report that Neiman-Reed has been "on the selling block" before with other southern California chains. The chain operates

(Continued on page 78)

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MERCHANDISING

Bagging its own fasteners keeps Orchard Supply 94% in stock.

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ADVERTISING & MARKETING

Builders Emporium targets the upscale shopper with slick magazine ads.

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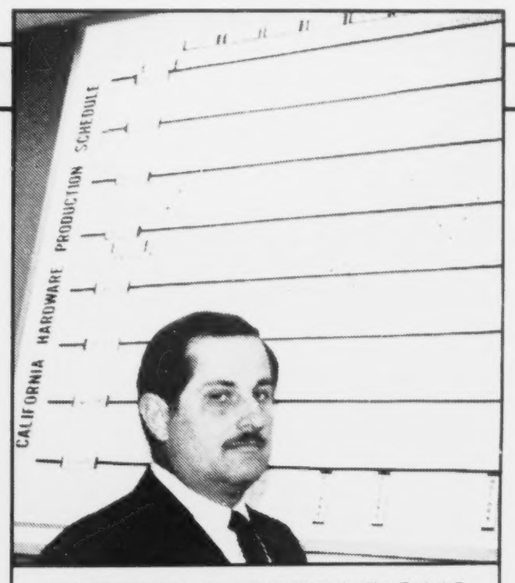

SYSTEMS & OPERATIONS

California Hardware's Terence Smith: 'Climbing out of the old-line wholesaler mentality.' ***Page 71***

NHCNews Briefs

Industry Update

BE slates three new stores

IRVINE, Calif.—Builders Emporium plans to open three new stores in southern California in the next few months, its first new-store openings in nearly two years.

Units in Los Angeles and Tustin are slated to open in March and a unit in Inglewood will open in April, company officials said.

In January the chain closed four units—three in Sacramento and one in Stockton. When the new stores open their doors, BE's store count will be 59.

The Tustin unit, scheduled to open March 15, is a takeover of an existing Wickes Lumber at Edinger Avenue and the Newport Freeway. It is the first time BE has taken over a store from its sister chain in the Wickes Cos. organization.

BE is also taking over a Sunset Building Supply Home Center in a Montgomery Ward-anchored shopping center on La Cienega Boulevard in Los Angeles. The 25,000-sq.-ft. unit will be refixtured and its current ceiling will be replaced. A March 15 opening is anticipated.

The third unit, slated for an April 15 grand opening, is in a strip center at Crenshaw and Imperial Boulevards in the southern Los Angeles County city of Inglewood. BE took over an existing Holiday Hardware store, a vacant low and unoccupied building that will be combined to make a single 43,000-sq.-ft. building.

HomeClub to open third whse

NORWALK, Calif.—HomeClub, the two-unit warehouse home center chain, will open its third unit in Hacienda Heights, a Los Angeles suburb, by early May. The 100,000-sq.-ft. store will be retrofitted from an existing warehouse, Robert McNulty, HomeClub's president and ceo, said.

HomeClub is also negotiating to lease sites for the chain's fourth and fifth units, slated to open by midsummer, McNulty added. The chain debuted last October with its initial two 100,000-sq.-ft. warehouses here and in Fountain Valley, Calif.

Big Buck closes in Waukesha

WAUKESHA, Wis.—Big Buck Building Centers has closed its store in this community just west of Milwaukee because of the expense of running a single store in the Milwaukee market and because of DIY competition, according to chain president Charles Veenstra.

The closing, which took place on Jan. 28 after a week-long 15%-off sale, left Big Buck with stores in Kenosha and Racine, Wis., but Veenstra said officials are considering relocating the shuttered 20-year-old facility among other plans for the chain.

Inner Harbor to expand

BALTIMORE—Inner Harbor Lumber and Building Material plans to expand its second store, located in the northern part of this city.

Opened two years ago in a cavernous former street car barn (*NHCN* March 15, 1982), the company recently acquired 4,000 additional square feet of the building, which will bring total retail space to about 32,000 sq. ft.

The additional room is expected to be used for expanded kitchen, bath and millwork presentations, according to Bob Heffner, gmm.

He said that the company also plans to use more bulk displays and perhaps higher fixtures in a gradual move toward a warehouse format.

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Vol. 10, No. 4 February 13, 1984

Andersons to open second unit

By Phillip M. Perry
NHCN associate editor

MAUMEE, Ohio—The Andersons, a $40 million independent operating primarily out of a single store for 10 years, has initiated an expansion to increase its dominance in Ohio area retailing.

The company was scheduled to break ground late last month in Toledo, Ohio, for its second store, a 130,000-sq.-ft. building with 54,000 sq. ft. of outside space that will be devoted to lawn and garden products. The store is scheduled to open this September.

Thereafter, if the second store becomes profitable, the company plans to open stores of similar size, each projected to do the same volume. Within five years, a chain of seven stores in Ohio and adjoining states "is attainable," according to Mike Maricle, who has been named manager of the new store.

Increasing profitability of the first store in recent years precipitated the decision to expand, according to Robert Bristow, retail division manager and a general partner in the company's parent firm, also called The Andersons. Planning for the new store had begun close to three years ago, but was delayed due to zoning problems.

Bristow said the additional stores were still conjectural and depended on the performance of the second store.

"We have been performing well in our current retail operation, and now we want to see if we can put this same type store in another place," added Grant Hollenbeck, merchandise manager for The Andersons.

Additionally, financing for the $9 million construction project became more readily available recently, through industrial revenue bonds.

Maricle noted yet another reason for the company expanding this year was that it feels it has positioned its staff "to lead the company at least to its second store."

Maricle has been with The Andersons for two years as consumer and industrial group controller, after leaving a position as controller he held for 10 years for a group of Sears stores in Coral Gables, Fla. Hollenbeck came to the company four years ago after a stint as group merchandise manager for appliance categories in the Memphis region, at Sears.

Maricle noted both he and Hollenbeck have accumulated not only a good deal of background about retailing but also about The Andersons, so the new store can be run successfully.

Located on a main traffic artery about a half mile from downtown Toledo, the new store will modify the older unit in some minor ways, noted Maricle.

"There will probably be some artistic changes," he said. "We may add some graphics in the new store." Also, the new store will be somewhat larger than the prototype unit, which has 116,000 sq. ft. of indoor space

(Continued on page 77)

Surge of first-time home buyers caps building industry recovery

HOUSTON—For the first time in five years, the size of the average single-family home built in America is getting larger instead of smaller.

Powered by a surge of first-time home buyers, who accounted for 48% of ail purchasers of a new single-family home last year, the increased demand for larger homes capped a year of good news for housing and related industries.

New home starts totaled 1,703,100 units in 1983, according to just released Commerce Department figures—a 60% increase from record low production levels in 1982.

Single-family home starts, meanwhile, rose 61% to 1,066,900 units in 1983, compared to 662,900 units started in 1982.

Spending for residential construction last year (excluding land costs) amounted to $142 billion, a 56% increase from the $90.8 billion spent in 1982, and accounted for 4.2% of 1983's Gross National Product vs. 2.9% the year before.

The strength of the housing industry was clearly reflected here last month as more than 50,000 builders, remodelers, distributors and a handful of retailers gathered to attend seminars and survey 300,000 sq. ft. of housing products at the 40th—and largest—annual National Assn. of Home Builders convention.

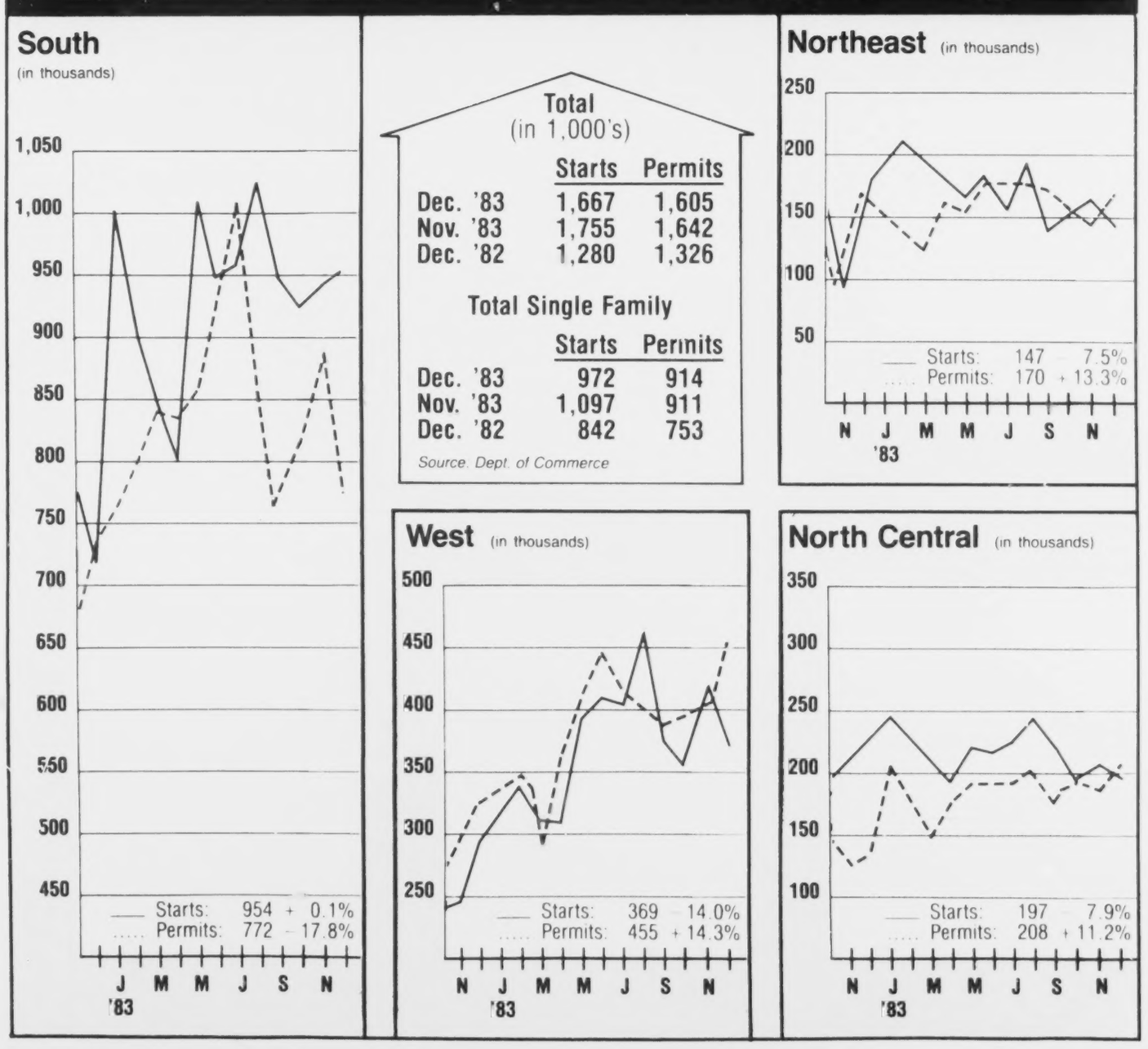
Housing and bank economists here predicted 1984 will match 1983 in housing production, with single-family housing starts predicted to rise about 6% above 1983 levels.

The forecast for 1985, and beyond, however, remained less optimistic beneath the specter of rising interest rates toward the end of 1984 if the Federal Government fails to reduce its massive deficit.

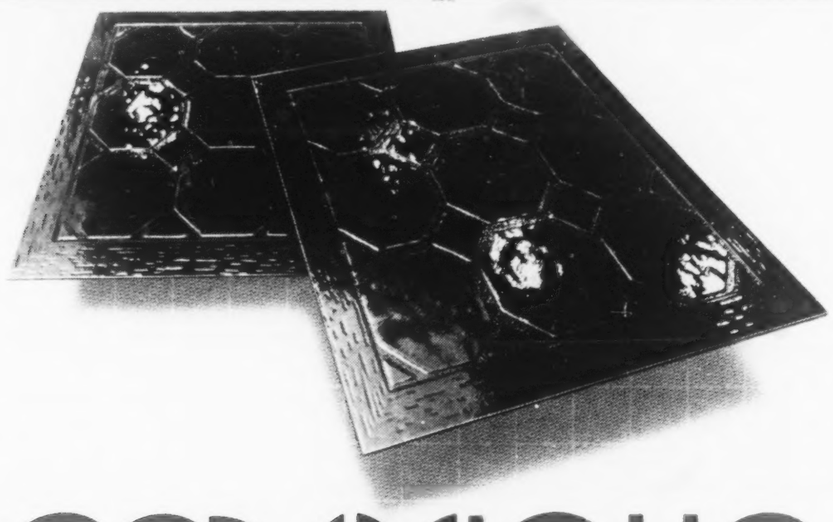
Former President Gerald Ford, speaking during a program on Jan. 21, described the deficits as the "only dark and ominous cloud on the economic horizon," and warned that unless deficits are reduced, housing production will decline sharply in 1985 and 1986. He added that for every $40 billion the deficit is reduced, interest rates would drop between one and 1½ percentage points.

(Continued on page 4)

December home-building activity



December's seasonally adjusted total housing starts reached 1.67 million, down 5% from November but up 30.7% over December 1983. Permits were also down 2.25% from November, but up 21% over December 1982.



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Surge of first-time home buyers caps building industry recovery

(Continued from page 2)

Kent Colton, executive vice president, Federal Home Loan Mortgage Corp., concurred that 1985 and 1986 had the potential to become "bad news" years for housing because of a shortage of capital resulting from the deficit.

Colton noted that the real rate of interest remains at an all time high at 6.9%, after subtracting the 3.2% rate of inflation from the federal funds rate of 9.1%, and that it was well above the 1% and 2% rates typical of the 1960's and 1970's.

"Both housing starts and home sales should reflect relative stability in interest rates, which will probably come down from 13½% to 13% by June or July, then go back up to 13½% by late 1984," he said.

Robert Spiller, first vice president, Mortgage Bankers Assn., meanwhile, said rates on fixed-rate mortgages would decline from current levels, to 12% from 12½% by late spring or early summer because of a slowdown in economic growth.

"Adjustable rates in the 10% range for the first year of the mortgage payment period could have a powerful effect on home sales in 1984," he said.

The availability of adjustable rate mortgages have been instrumental in helping first-time home buyers afford housing, analysts said.

Three years ago, 95% of all mortgages were 30-year, fixed rate loans, Colton said. By 1985, he expected at least half of all mortgages would be adjustable rate loans.

According to figures from the NAHB, first-time home buyers were responsible for record share of the new home market.

They accounted not only for 48% of all single family home purchases in the 12 months between July 1982 and June 1983, but also for 55% of the condominiums sold during that same period.

In comparison, first-time home buyers accounted for between 32% and 37% of all new single-family homes purchased annually since 1975, and accounted for a similar, though faster-growing portion of those buying condominiums.

With the increase in consumers' ability to afford housing, beginning in the fourth quarter of 1982, came a concurrent return in demand for larger houses, NAHB figures indicated.

Sales of single-family homes of 1,000-1,5000 sq. ft., which accounted for 47% of the new single-family units sold in the first quarter last year, declined steadily as a proportion through the third quarter, to 40% of the market.

Sales of single-family units 1,500-2,000 sq. ft., 2,000-2,500 sq. ft., and more than 2,500 sq. ft. in size meanwhile, increased market share by three percentage points each, to 30%, 15% and 9% respectively, during the same period.

Fourth quarter figures are still not available. Overall the median finished area of new single-family homes has risen steadily since the low of 1,445 sq. ft. in the fourth quarter of 1982, to 1,559 sq. ft. registered in the third quarter of 1983.

The shift to larger houses is also reflected in home prices.

The median sales price of new single family houses—which remained flat in 1982—rose 9.4% in 1983 (well above the rate of inflation) to $75,700.

NAHB analysts are predicting prices will move up 7% in 1984 to $81,000.

The overall increase in the average new single-family home last year apparently reverses a trend that, according to Census Bureau figures, shows the median size American home to be shrinking—from 1,655 sq. ft. in 1978, to 1,520 sq. ft. in 1982.

While most analysts are not predicting that homes will increase substantially in size over the next two years, especially in metropolitan areas where high-density, multifamily housing is becoming more commonplace, they do see the reversal as a significant turning point.

States ranked by starts in 1983 and 1984

Rank		State	Housing Starts (in thousands)	
1983	1984		1983	1984
1	1	Texas	334.9	334.6
2	2	Florida	170.5	158.9
3	3	California	151.7	143.0
4	4	Georgia	70.1	72.7
5	5	Arizona	63.2	63.2
6	7	Oklahoma	53.4	52.2
7	6	Colorado	51.4	53.7
8	9	Virginia	51.1	46.3
9	8	North Carolina	49.5	49.5
10	12	New Jersey	38.3	42.0
11	11	New York	37.0	43.5
12	10	Pennsylvania	36.8	44.8
13	13	Louisiana	36.8	35.9
14	16	Maryland	35.8	31.3
15	21	Tennessee	34.8	24.6
16	17	Illinois	30.9	26.7
17	15	Ohio	30.0	31.4
18	14	Minnesota	27.7	35.8
19	22	Washington	27.5	23.6
20	19	South Carolina	25.8	26.3
21	18	Massachusetts	24.2	28.8
22	20	Missouri	24.2	24.0
23	24	Michigan	23.0	21.4
24	25	Indiana	19.0	21.0
25	29	Alabama	18.2	13.5
26	23	Wisconsin	18.1	21.6
27	27	Kansas	16.9	18.6
28	26	Connecticut	16.6	19.0
29	29	Kentucky	15.8	13.5
30	28	Nevada	15.7	15.0
31	32	Alaska	13.4	11.2
32	35	Utah	12.3	10.5
33	37	Arkansas	12.0	9.8
34	36	Mississippi	11.8	10.0
35	31	New Mexico	10.1	12.8
36	32	Oregon	9.4	11.2
37	34	Iowa	8.4	10.6
38	38	New Hampshire	8.4	8.5
39	39	Nebraska	7.4	8.3
40	41	Vermont	6.3	7.3
41	40	Hawaii	6.2	8.2
42	44	North Dakota	5.5	4.8
43	42	Maine	4.8	6.6
44	45	Rhode Island	3.9	4.1
45	46	Idaho	3.9	3.7
46	48	Delaware	3.4	4.3
47	43	Wyoming	3.3	5.4
48	49	South Dakota	2.9	3.6
49	46	West Virginia	2.7	3.7
50	50	Montana	2.7	2.5
51	51	District of Columbia	0.3	0.8

Source: National Assn. of Home Builders Forecasting Service *NHCN* chart

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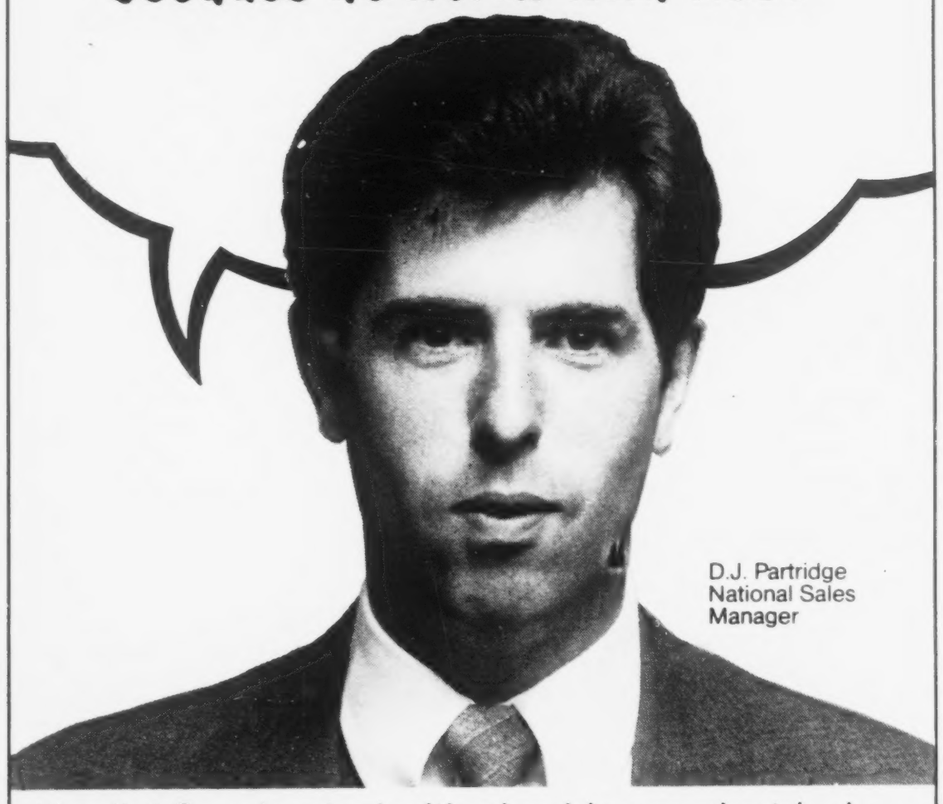

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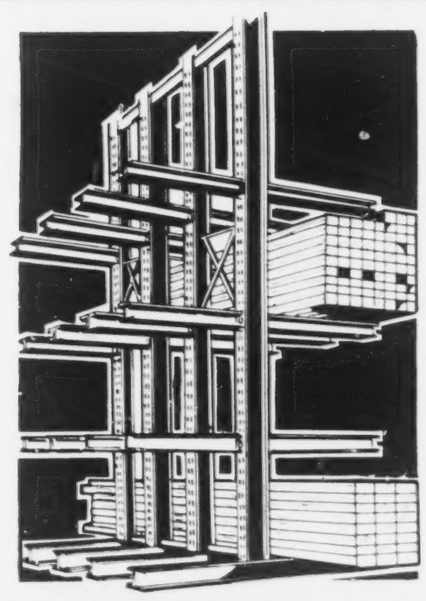

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Home Centers of America	11/27-3rd qtr.	$ 10,645	—	—	–$ 1,950	—	—
Payless Cashways	11/26-4th qtr. 11/26-year	250,943 864,164	$179,703 602,666	40 43	10,179 34,627	$ 8,130 23,079	25 50
Scotty's	12/31-5 wks. 12/31-2nd qtr.	37,140 100,362	30,838 80,363	20 25	— 3,284	— 1,668	— 97

*$ in thousands

Source: Company reports

STOCK PRICES

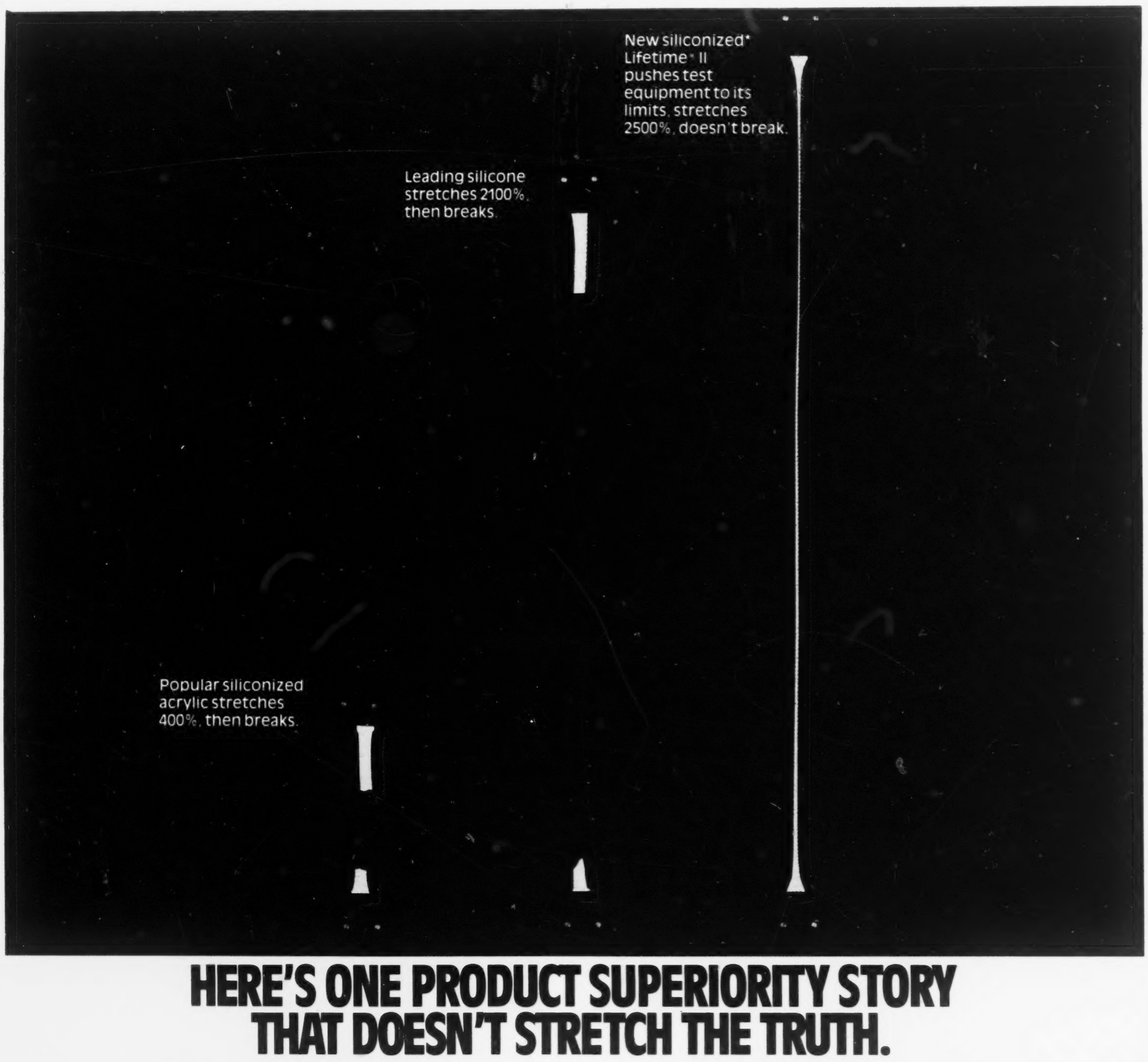
	As of 1/24	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	41	47⅜	34½	21
Edison Bros. Stores (NYSE) [Handyman, Homer's]	42	46¾	25¾	12
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	9⅝	19½	9⅛	—
Forest City (AMEX)	17½	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45	50⅜	39½	14
Lowe's (NYSE)	23⅝	32¾	17¼	18
Michigan General (AMEX) [Diamond Lumber]	8⅛	14	3¼	—
Pay 'N Pak (NYSE)	17⅝	24	15¼	15
Payless Cashways (NYSE) [Furrow]	23	34½	19	18
Scotty's (NYSE)	15⅞	20½	14	14
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	15⅜	16½	11⅝	—
Standard Brands Paint (NYSE)	21½	28¾	17⅞	13

Nasdaq—over-the-counter stocks

		As of 1/24	52-week High	52-week Low	P/E Ratio
Color Tile		16¾	27⅝	13⅝	—
Hechinger	A	18	24¼	15	—
	B	18	26½	14½	—
The Home Depot		22¾	31¾	13	—
Pay 'n Save		23	29¼	16⅜	—

Over-the-counter stocks

	As of 1/24 Bid	As of 1/24 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	23½	26¾	25¼	12¼
Hines Lumber	35¼	37	41½	17
Home Centers of America	7⅞	8	15½	5
Home Centers of America [units]	24	25½	51½	13¼
National Lumber	10	10½	13¼	9½
Scotts Seaboard [Scott's]	4	4¾	⅞	5
Wolohan Lumber	6⅜	6½	10⅛	5⅛


New siliconized* Lifetime® II pushes test equipment to its limits, stretches 2500%, doesn't break.
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* Independent Laboratory Test.

FINANCIAL NEWS

Scotty's net profit up 97% in second quarter

WINTER HAVEN, Fla.—A significant increase in both gross margins and sales contributed to a near-doubling of earnings at Scotty's during the chain's second quarter ended Dec. 31, 1983, senior vice president and chief financial officer Harold W. Taylor said.

Net profits rose 97% at the 105-store company to $3.3 million in the quarter as gross margins rose to 30.7% compared to 29.27% in the second quarter of the previous fiscal year and sales increased 25% to $100.4 million, according to Taylor.

Scotty's quarterly sales gain, in turn, was favorably affected by a 19.8% increase in sales at comparable stores and a 66.2% jump in volume to builders, he said. The increased business to contractors of $31.3 million brought Scotty's percentage of overall sales to that sector of the market to 31.2%, up from 23.8% in the prior year's second quarter.

Officials at the company noted that the new construction market in Florida continued strong and brought sizable gains in contractor volume for each quarter during 1983.

The new construction market also helped December volume rise 20% to $37.1 million in the last five weeks of the quarter, but cold and inclement weather during the month contributed to somewhat slower growth, according to executive vice president Dennis W. Stults.

During the second quarter, the chain opened a new outlet in Temple Terrace, Fla., a Tampa suburb, and a replacement store in Big Pine Key, Fla.

Color Tile's '83 contractor sales increase sharply

FORT WORTH—Color Tile, the 600-unit chain of specialty home improvement stores, has nearly doubled its volume of sales to contractors and commercial developers over the past year.

Company officials attributed the gain to a new marketing program designed specifically to provide Color Tile a larger share in the construction and renovation of apartments, condominiums and hotels. Sales in that area currently make up 20% of the chain's total volume, shown at $131.4 million for the first six months of fiscal 1984.

One year ago, contractor and commercial sales accounted for only 12% of a six-month volume estimated at $115.3 million.

Color Tile said it intends to retain the do-it-yourself consumer as its predominant customer, however. Movement in the direction of contractor sales was described as one segment of a broader effort to heighten profitability.

In a speech last month before the New York Society of Securities Analysts, company chairman John Wilson said Color Tile will now allow contractor and commercial sales to represent more than 25% of its annual volume. "More than that would adversely affect our margins," he said.

The new marketing program got under way late last summer, when the chain distributed 250,000 catalogs to professional contractors nationwide. Wilson said each catalog included a contractor price sheet and an application for credit.

According to Wilson, the chain decided to pursue contractor sales more aggressively after reviewing a market research study that showed marked sales potential in residential rehabilitation and commercial development.

FUTURES

Two weeks ended Jan. 19, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	181.60	170.60	172.30	180.40	4,163	240.50	176.40
May	193.10	184.00	186.20	191.70	1,902	245.50	184.00
July	201.80	193.50	195.10	199.50	903	252.50	193.50
Sept.	206.00	198.70	199.20	203.60	645	236.00	195.50
Nov.	209.60	202.90	204.00	208.60	422	228.80	196.00
Jan. '85	214.40	208.90	211.00	213.40	71	221.30	204.00
March	219.70	214.50	216.90	—	13	220.00	215.50

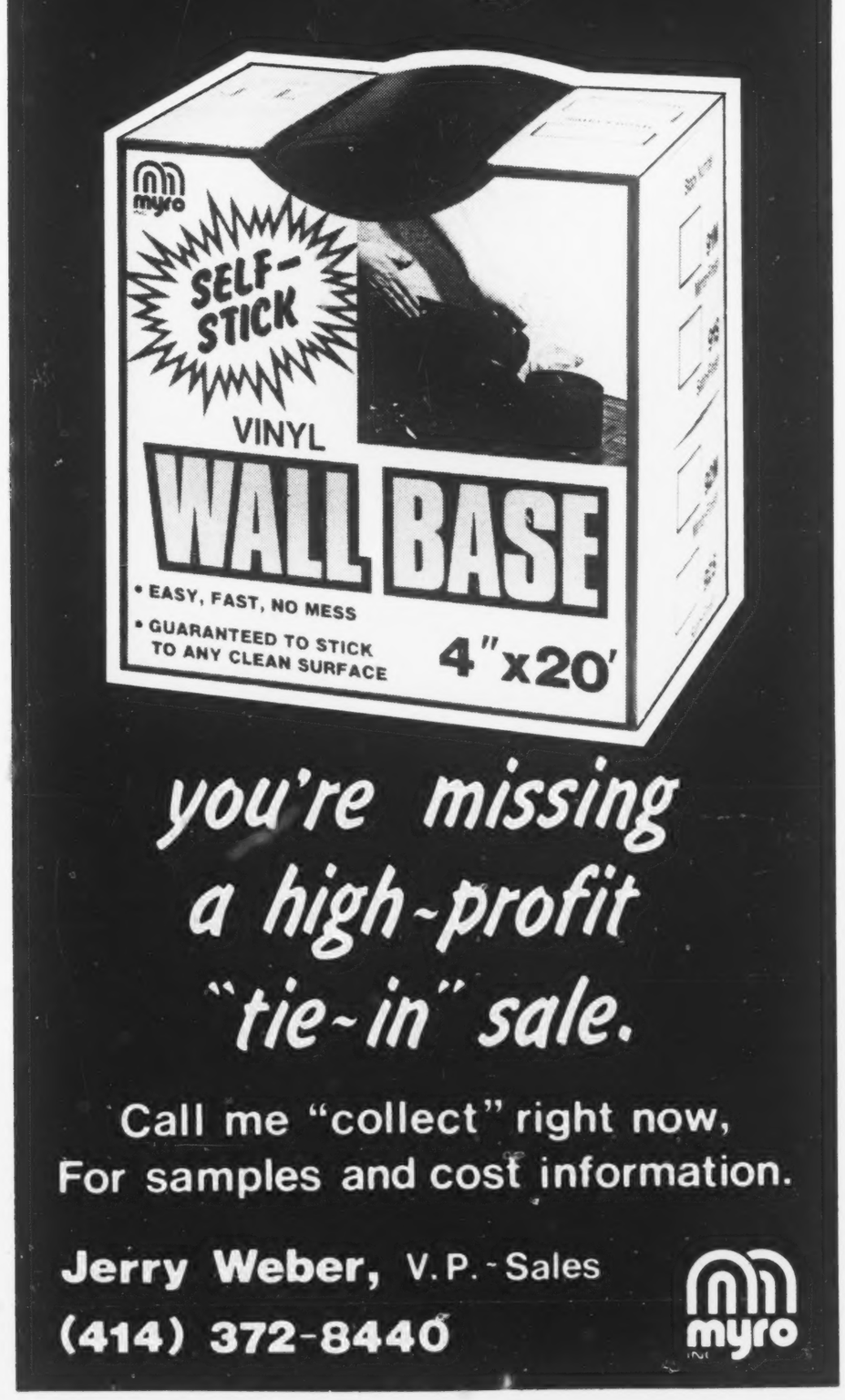
Total Contract Vol. (Through 1/19): 19,930 — **Previous Two Weeks: 14,871**
Total Open Interest (As of 1/19): 8,125 — **Previous Week: 7,863**
Cash Price: $161.70 — **Previous Week: $166.60** — **Year Ago: $186.20**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '84	194.50	187.00	188.00	194.50	3	223.00	179.70
March	198.30	189.00	190.70	198.30	464	225.00	183.00
May	201.30	192.00	193.40	201.30	93	208.50	187.50
July	204.30	195.00	196.30	204.30	46	210.00	190.50
Sept.	203.20	199.00	199.50	205.50	2	212.50	199.00
Nov.	Not	Trading					

Total Contract Vol. (Through 1/19): 499 — **Previous Two Weeks: 585**
Total Open Interest (As of 1/19): 610 — **Previous Week: 550**
Cash Price: $193.06 — **Previous Week: $196.98** — **Year Ago: $209.72**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	275.0	274.9	239.1

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Jan. 19.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.



LUMBER REPORT

Wall St. turns futures profits amidst skeptical lumber industry

(Continued from page 1)

lumber prices are affected.

"These new companies have brought greater efficiency to the distribution of lumber," said Ted Bloch, president of Chicago's Bloch Lumber Co., an established wholesaler and lumber broker. "Whether they continue to survive in the industry will be determined by whether the efficiency of their formula is greater than the inefficiency of their way of doing business.

Bear Stearns initially took a major lumber position in the fall of 1982, when prices were depressed and most wholesalers and retailers were unwilling to buy more than their immediate needs. When random length s-p-f prices rose by about $100 per thousand board feet between October 1982 and June 1983, the company apparently made significant profits.

It continues that seasonal buy-sell pattern, potentially benefiting from the historical rise in lumber prices from fall to spring. Cash needed to take a substantial position in the lumber market and store the wood for months is available because of Bear Stearns' access to credit markets, a source close to the company claimed.

He argued that this financial strength also allows the company to offer advantages beyond price. Specifically, Bear Stearns customers may be offered lumber on a pay-as-you-use-it basis, with the brokerage financing the inventory that sits in a dealer or wholesaler's yard. Since Bear Stearns has no distribution centers of its own, its wood is stored at reload centers and with customers.

Hedging, taking large positions in lumber and even financing inventory are not new industry practices. In fact, some have compared Bear Stearns to what formerly were called transit wholesalers, a dying breed.

However, Bear Stearns and some other companies are from outside the lumber fraternity. Their entry into the market has drawn substantial criticism and, perhaps, resentment at the idea of paper pushing, money wizards turning lumber profits without the normal headaches like large payrolls, capital costs and stumpage contracts.

"Anyone that comes in and tries to make the lumber industry dance to its tune because it appears as the savior is in for an extensive education," said Ken Porter, distribution division general sales manager for Georgia-Pacific, which had early dealings with Bear Stearns.

"Things that were normal for them were not normal for us," he continued, "and we were the ones who came from Rome."

The overriding criticism of new entries into the lumber business, such as Bear Stearns or Commodity Corp., Princeton, N.J., which reportedly operates a similar business, is that they will be gone as soon as the market softens: that they are speculators out for a quick buck with no real commitment to the lumber industry.

Bear Stearns insists that as an inventory financier it represents a new entity in the distribution of lumber. A spokeswoman for Commodity Corp. refused to comment on that operation.

"The criticism that Bear Stearns gets is that everything it does is purely opportunistic," said Don Zwanzig, futures broker with Stotler & Co., Spokane. "Bear Stearns makes no attempt to be an ongoing source of wood. Bear Stearns will only buy when the market is right and sell when the market is right."

> *'If the speculator buys a block of wood and stores it, the mill knows that sooner or later it'll be competing with that same wood . . . In several cases we've seen the speculator bring wood in the market and say it's from a particular mill, but below the mill's price at that time.'*
>
> —**Frank Robinson,**
> *forest products vp,*
> *Builder Marts of America*

The need to buy and sell only at particular times requires that lumber be stored for long periods, which gives rise to other criticisms, including charges that the extended storage results in a deteriorated product.

Also, "If the speculator buys a block of wood and stores it, the mill knows that sooner or later it'll be competing with that same wood," said Frank Robinson, Builder Marts of America forest products vp. "In

(Continued on page 13)

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